

DUFF & PHELPS

October 4, 2007

Texas Commission on Environmental Quality
Attention: Docket Clerk
TCEQ Office of Chief Clerk MC 105
P.O. Box 13087
Austin, Texas 78711-3087

TEXAS
COMMISSION
ON ENVIRONMENTAL
QUALITY
2007 OCT -5 PM 3:43
CHIEF CLERKS OFFICE

Subject: Response to the appeal of the Executive Director's Use Determination (06-1102),
regarding Energy Transfer Fuel (ET Fuel); TCEQ Docket Nos. 2007-0911-MIS-U.

Dear Commissioners:

Pursuant to Title 30 of Chapter 17 of the Texas Administrative Code, the Applications under appeal were prepared using the Texas Commission on Environmental Quality's ("TCEQ's") Application for Use Determination for Pollution Control Property (TCEQ-0611). For this Tier II application, the subject pollution control property included in the application is identified and summarized as follows:

Electric Driver/Compressor Engines (Tier II)

Pertinent Rule(s), Regulation(s) or Law(s):

Title 30 Texas Administrative Code Chapter 117, Control of Air Pollution from Nitrogen Compounds.

The newly constructed compressor station utilizes state-of-the-art electric drive compressor technology within State non-attainment areas for NOx emissions from compressor station operations of natural gas pipeline transmission and storage activities.

Electric driver construction/installation costs, as well as life cycle operating costs, are generally cost indifferent in comparison to Lean Burn Gas-Fired Compressor Engine technologies (e.g. Caterpillar G3600 series engines). The primary project benefit of electric driver installations on natural gas pipeline compressor station installations is derived from the reduction or prevention of NOx emissions generated at compressor station locations as a NOx emissions reduction/prevention strategy for pipeline operations is limited to transmission power line access for facility power load needs. Areas of non-attainment within well-developed geographies generally provide such power load capabilities and are often incidentally identified as non-attainment areas.

RESPONSE TO PETITION

To date, neither Appellant nor their private appraisal firm with which each Appellant contracts for this purpose, Pritchard & Abbott, Inc., have recognized any exemptions granted by the TCEQ to the Applicant in either of these Appraisal Districts – whether such exemptions are in dispute or not. Appellants have instead ignored the determinations of the TCEQ and arbitrarily listed Applicant's property on their appraisal rolls for taxation at the full market value of such property, without deducting the portion of that value attributable to Applicant's approved pollution control exemptions.

Appellant:

It is our belief that the Electric drives in the compressors should not receive a 100% property tax exemption. Using an electric drive does remove 100% of the pollution from a particular site but the energy for this drive still produces pollution at the generator site which is still in Texas.

Response:

This compressor station consists of eight natural gas compressors, four of the units are electric and four are natural gas engines. Currently, the site is permitted for 154 tons per year (tpy) of NOx emissions (Permit # 79010). The addition of the electric drive compressors allowed ET Fuel to authorize the station under the 'Permit by Rule' (PBR) instead of a 'Prevention of Significant Deterioration' (PSD) permit. The PSD permit is required for sites that exceed 250 tpy of NOx emissions. Without the electric driven units, the site would have been estimated to produce 282 tpy of NOx emissions. These electric engine drivers reduced NOx emission source at the site by 128 tpy. ET Fuel could have completely eliminated all the NOx emissions from the site if the power grid had a greater capacity. The power grid capacity limited ET Fuel's site to the four electric driver engines. The decision to implement the electric engine drivers was a proactive response that will greatly exceed the pending requirements of the "East Texas Combustion Rule," (Title 30, Chapter 17, Subchapter E) in which Freestone County has been affected.

Appellant:

Generation in Texas generally produces less pollution than onsite engines. The actual reduction in pollution for this type of installation is analogous to a lean burn engine which gets a 20% exemption based on the existing TCEQ PEL. Granting a 100% pollution control tax exemption to this equipment violates common sense and the spirit of the law.

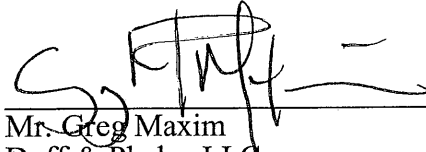
Response:

Appellant's allegations are groundless and irrelevant. We are unable to qualify and/or quantify this argument due to lack of information.

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If you have any questions regarding the application or the information supplied with these application, please contact me at (512) 671-5580 or Ms. Kathy Tronsberg of Duff & Phelps LLC at (215) 430-6059.

Very truly yours,



Mr. Greg Maxim
Duff & Phelps LLC

Enclosures

cc: Kathy Tronsberg (Duff & Phelps LLC - Philadelphia)
Rick Fine (Duff & Phelps LLC - Austin)